

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

September 27, 2005

4:30 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Guinta (late), Osborne, Thibault

Absent: Alderman Shea

Messrs.: R. Sherman, K. Clougherty, S. Wickens, S. Hamilton, T. Nichols

Chairman Smith addressed Item 3 of the agenda:

Ratify and confirm poll conducted July 29, 2005 approving attendance of City Clerk staff at the New Hampshire City & Town Clerk's Annual Conference held in North Conway, NH from September 7-9, 2005.

On motion of Alderman Osborne, duly seconded by Alderman Thibault it was voted to ratify and confirm the poll.

Chairman Smith noted that the Board of Assessors reports would be addressed at the end of the meeting since the Assessors are in Concord testifying.

Chairman Smith addressed Item 5 of the agenda:

Communication from Guy Beloin, Financial Analyst II, providing monthly financial statements for the two months ended August 31, 2005 for FY2006.

Randy Sherman, Deputy Finance Officer, stated there isn't a lot to talk about. There are a couple of things I did want to point out in addition to what Guy had on his front cover letter. On Page 1 of the report in the second section where we are talking about restricted items I did want to point out the health insurance line. Some of you may remember during the budget process it came to light late in the budget process that the wrong increase had been used on the health insurance line. I think there was discussion that it may be upwards of \$1.2 million short and at that point we opted not to change it and said we would work our way through it through the year. I just want to point out that after two months the health insurance line we are already down to 80% and we have not had any settlement

from Blue Cross yet. The way health insurance works is we pay based on a so-called premium rate and then they take those dollars, pay all of the bills and either reimburse us the balance or charge us if they needed more money. Again, this is just the premiums that have been paid out for July and August. We haven't had any settlements yet but I did just want to point that number out to you. The other one I wanted to point on Page 1 is actually on that third section under non-departmental. Just so everybody is aware, the contingency this year we did add extra money to that contingency line. It is \$548,000 for this year. It is there mainly as a buffer against the winter expenses and the recycling contract that is still under negotiations. Again, those dollars are there as well. Other than that we are thoroughly in the fiscal year. Things are tracking actually through August comparative to where they were last year. Unless there are any specific questions that is it.

Alderman Osborne asked going back to the insurance exactly where do we stand there from last year. Dollar wise you said 80%.

Mr. Sherman answered dollar wise we are spending about \$200,000 more a month than we were last year but the budget is...we did budget part of that \$200,000. I think we ended up using like a 12% increase and I believe at the end it probably should have been closer to 25%. Again, it is on an actual basis. Some years we have turned \$1 million into the health insurance fund the difference between budget and actual. Last year almost every month went against us but we went down and actually looked at the claims that were coming in and it wasn't one thing specific, it was across the board. Whether we had more flu's or more pregnancies or more broken arms it was across every category that there were increases. Again we are hoping that was an anomaly and 2006 will bounce back for us. Again, we are watching it. I did want you to know we are watching it and we will try to manage it throughout the year.

Alderman Guinta stated you may have answered this question before I walked in but how are the revenues coming in for FY05. Has that been completed yet?

Mr. Sherman responded the revenues again did meet budget by a couple of hundred thousand dollars. We were in excess by a couple of hundred thousand dollars. On the expense side we are probably going to be \$700,000 to \$800,000 under budget. We are still going through our cut off testing process, which is a process that we go through where we look at the larger invoices that have been paid since year end and just make sure that they are in the right accounting period. The departments do all of their own input and they do a good job but we do go back and double-check those and push them both ways. Some will go from FY05 to FY06 and some from FY06 to FY05. We do believe at this point, though that

we will have the \$750,000 that we had anticipated for the tax rate setting. We will have the fund balance available for tax rate reduction.

Alderman Guinta asked so we can possibly look at...where were we \$3.14.

Mr. Sherman answered when we set the budget we were at 3.17%. With the additional money from the school adequacy we will actually be closer to 2% or under 2%. Until we get the audit I wouldn't recommend going above the \$750,000 that we had anticipated.

Alderman Guinta asked so the \$750,000 doesn't include the 2.4% or does it.

Mr. Sherman answered it does. When we adopted the budget back in May we had \$750,000 in there for fund balance.

Alderman Guinta stated but at the time we were using a different adequacy number.

Mr. Sherman responded right that is why we were at a 3.17% increase. Now that we have the additional adequacy number, it will push that 3.1% under 2%. Again, the other factor that we don't have at this point is the assessed value.

Alderman Guinta asked but shouldn't the \$750,000 that you referred to further reduce it.

Mr. Sherman answered no that was already included in the 3.17%.

Alderman Guinta asked so we should expect the tax rate, assuming everything else shakes out, it will be under 2%.

Mr. Sherman answered it should be unless something goes haywire with the assessed valuation it should be under 2%.

Chairman Smith asked in regards to auto registration I know it is down but speculating on the energy crisis and the gas prices I would think it is going to affect vehicle registration. I don't know what the prognosis is going to be.

Mr. Sherman answered the thing with auto registration is we really have to wait until year-end. Because we do the mailings and people send money through the mail and everything it is hard to get a specific month by month total because if somebody mailed their check in the last week of August last year but didn't mail it until after Labor Day this year...you know you always have that window where it kind of fluctuates from week to week. Auto registration we collect \$50,000 to

\$60,000 a day so the difference that you are seeing there is literally less than a day so as the mail goes or if somebody is out sick and they don't open the mail, I mean all of those things can change it one way or the other. Your point about the energy thing, yes, you may see some change. What we didn't necessarily see this year that we saw four years ago was even though they had all of that 0% financing and employee discounts and that we didn't see a rush for new automobiles this summer like we did after 9/11 when they had all of those incentives to get people to go out and buy. We are not seeing a push from auto values. I think it is just a timing issue.

Kevin Clougherty, Finance Officer, stated in the meeting after this we are going to be talking to the Energy Committee and we are going to be talking about that. At this point there is a lot of volatility in pricing out there – gas, oil and diesel and it really hasn't settled. We have asked all of the departments to give us their estimates and that is what we are going to go over with the Committee shortly in terms of what do they think their worst case scenarios would be. The worst case estimates we have now from the general fund are around \$200,000, which again is not a big number. As Randy mentioned we have a little bit more in contingency this year. We are going to have to be careful. I guess that is the thing I would say to the departments. We are prepared but be careful in terms of how this moves forward. What we are reluctant to do this early in the budget and during the hurricane season is to go out and make departments cut or do something and then find out that gas did stabilize and come back down in the second half of the year and oil did come back down. So we really are in a monitoring mode and I think that is what we will be talking about in the next half hour is really making sure that everybody is watching their expenditures but we are also going to be watching the market so that some time in November when we come back before you we will have our quarterly financials, which will give us a better platform on what is happening with some of the revenues because then you will have a full three months under your belt and we will also have some better information on what is really going on with the national energy supply and how we think that may or may not have an impact. So we will be looking to that November time period as a time when we might have to make some policy decisions or some changes with respect to the budget but for right now I think we are saying let's let the departments manage. They are aware of the situation and we will review it later.

Chairman Smith asked what is your gut feeling. Do you think it will fluctuate with the DRA in regards to the tax rate? Is there a chance that it will be lowered by the DRA? I don't have any experience with that.

Mr. Sherman answered it is all going to depend on where the valuations come in. Even if they come up with an additional \$10 million that is only about a nickel. It doesn't make a real difference.

Mr. Clougherty stated the thing that will affect your rates going forward obviously is as Randy said the valuations and if there is some decision on the tax cap lawsuit that might have an impact but other than that there shouldn't be anything.

Alderman Guinta stated I have two questions. How would the tax cap suit impact...

Mr. Clougherty interjected it won't affect this year but going forward it would have an effect.

Alderman Guinta asked were you referring to this year or just in general.

Chairman Smith answered in general.

Alderman Guinta asked are the MS-25 forms done and completed.

Mr. Sherman asked the school ones.

Alderman Guinta answered yes.

Mr. Sherman stated I have not seen the school ones yet.

Alderman Guinta asked when do we usually get those or when are they usually completed. Aren't they usually completed by mid-September?

Mr. Clougherty responded what happens is the deadline is September 1 to submit forms but virtually every year since I have been here there has been an extension requested by the Assessors simply because they need the extra time to do their work. That has always been granted by DRA so that deadline this year again has been extended. Obviously with the reval going on and with Steve having some health issues they have granted it. We usually don't see their reports until they are a little bit further on and they have had their auditor take a look at it so they feel more comfortable about where they are on the school side. I would expect maybe October 1 or the middle of October we might see something from them.

Alderman Osborne stated going back to contingency, you are going to add \$548,000.

Mr. Sherman responded no that is what was appropriated.

Mr. Clougherty stated we are not adding to it. That is the number.

Alderman Osborne asked that is the number now.

Mr. Sherman answered yes.

Alderman Osborne stated I thought you said adding.

Mr. Clougherty stated usually it is lower than that, Alderman, so we added to contingency to get it up to the higher number. We implored Alderman Lopez to put a little extra in there because of some of these uncertainties.

Alderman Osborne asked so this is the total.

Mr. Clougherty answered yes and it is higher than it has been in the past.

On motion of Alderman Thibault, duly seconded by Alderman Guinta it was voted to accept the monthly financial statements.

Chairman Smith addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School Department only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary.

Sharon Wickens, Financial Analyst II stated I don't have any specific comments on the reports other than if you are looking at the big 90 day and over receivable report you will notice that the first 12 pages are the finance charges. I am trying to make a report that will merge that in so each finance charge will be under its customer or maybe you don't want to see those first 12 pages and know that finance charges. I was just going to ask do you want that?

Alderman Osborne asked could you repeat that.

Ms. Wickens answered on the 90 day and over report, 6D, you will notice that the first 12 pages of that report are strictly these little finance charges. I mean maybe

you do want to see them every month and I can continue with that but I am trying to make a report that will stick the finance charges under the respective customers but for whatever reason this query puts them all first.

Alderman Osborne asked how does it differ from last month.

Ms. Wickens answered what is different is the finance charges are starting to pile up because we weren't charging finance charges before. It has been about six months since we started doing that and they are just starting to pile up, thus making the report so big. I can continue to provide the information. I just didn't know if that was bothering you.

Chairman Smith stated I would say as Chairman that I would like to have it stay as is.

Ms. Wickens stated other than that I don't have any specific comments on any one item so I will open it up for questions.

Alderman Osborne asked are there any changes.

Ms. Wickens answered well there are probably other people that have showed up on it but there is nothing really that is outrageous on here that I could say wow this is a problem.

On motion of Alderman Thibault, duly seconded by Alderman Osborne it was voted to accept the various reports.

Chairman Smith addressed Item 4 of the agenda:

Reports from the Board of Assessors as follows:

- a) update of tax base;
- b) status of overlay;
- c) valuation summary;
- d) status of tax appeals
- f) status of exemptions and payment in lieu of taxes.

Thomas Nichols, Assessor, stated let me just start out by saying that it has been a long time since we have been here and we apologize for that. As you can see on page a that is our tax base right now and it matches our exemption/deduction analysis which is page b. Next we have the overlay and those balances match whatever the Finance Department has most every month. Page d is what we have outstanding for abatements for 2002, 2003 and 2004 with the BTLA and Superior Court. Right now there are no appeals until the tax bills go out in November. As

you can see, page e, g, h and i total page d so if you look at all of the other pages those totals match what is on page d. On the last page we have the in lieu of taxes and those are from the elderly parcels that we have in the City that pay in lieu of taxes.

Alderman Guinta asked do you have an idea of where the valuations are today versus what we projected back in March for the budget.

Stephan Hamilton, Assessor, stated we are very close to being on track with our original estimate. Right now we finished putting up all of the new construction for this year. We are still finalizing that.

Alderman Guinta asked you don't see any significant change plus or minus.

Mr. Hamilton answered it may be...it is probably not going to be less than the estimate but it may be as much as \$5 million.

Alderman Guinta asked is the estimate \$65 or \$60 million.

Mr. Nichols answered I believe it was around \$65 or \$70 million.

Mr. Hamilton stated \$65 million was the estimate.

Alderman Guinta asked so it could be as high as \$70 million.

Mr. Hamilton answered yes.

Chairman Smith stated I have some questions. I guess you are starting on the West Side for the revaluation.

Mr. Hamilton responded on the data collection they will be starting shortly on the West Side.

Chairman Smith asked when do you expect to finish the total revaluation.

Mr. Hamilton answered the inspection portion of the revaluation should be finished by the end of the year. Then we will begin or Vision will begin the valuation part of the process, which is developing the individual values of properties. That part of the project hasn't begun yet.

Chairman Smith stated just for the people who are concerned, the common man says well I am going to be revaluated and my house will be more than what it was 10 years go. They are concerned about how much they are going to pay for taxes

now that their revaluation number is higher. What would be your expertise say on a house of \$200,000 that goes up to \$240,000? What do you think the tax increase would be for that individual home?

Mr. Hamilton responded the general rule of thumb with revaluations is about 1/3 of the properties tax burden will go down. About 1/3 will stay the same and 1/3 will go up. We have no way to know what those numbers will be until we get that valuation portion of the project complete.

Chairman Smith asked so you are talking about 40,000 homeowners will be involved in an increase in the tax rate or what are you saying.

Mr. Hamilton answered no. We only have just under 35,000 parcels.

Chairman Smith asked so you are saying 1/3 of that would have an increase.

Mr. Hamilton answered residential properties are about 27,000 so perhaps 1/3 of those or 9,000 will see their tax burden go up slightly, 1/3 will see their tax burden go down slightly and the other 1/3 will see no change.

Chairman Smith asked but the tax increase won't be that substantial is that what you are trying to say.

Mr. Hamilton answered the good news is that as values increase the total value of the City increases so the tax rate is just a function of the amount of money that the City spends divided by the value of the entire City. So as the value of the entire City grows then the tax rate will be lower a similar percentage.

Alderman Lopez asked in reference to the overlay account of \$86,951 in 2001 I don't see any abatement appeals for 2001. Does that money just move over or are you all done with 2001?

Mr. Hamilton answered we do have one case that is no longer pending but has been settled. We are keeping that account open. It won't be that entire amount. It will be a disbursement and whatever is left over will be moved up to FY2002 or the appropriate account.

Alderman Lopez asked do you have any idea what it is. Have you settled it?

Mr. Hamilton answered the impact of the 2001 I can't recall off the top of my head. It was a multi-year settlement agreement.

Alderman Lopez asked and whatever remaining there is going to move into 2002.

Mr. Hamilton answered yes.

Alderman Lopez asked so you are just going to roll it over.

Mr. Hamilton answered yes.

Alderman Lopez stated the other question I have and it is sort of along Alderman Smith's question so that we understand \$5 billion and if we have an assessed value of \$10 billion and we kept the same type of budget you would almost cut the taxes in half. It depends on the spending that you do. So if it is at \$28 now it would be at \$14 if everything was equal. Do you agree with that?

Mr. Hamilton responded there are other influences on the tax rate including the county tax rate and the education portion so it is not a direct 50% reduction for 100% increase in the value but there is a strong correlation between the amount of the value increases and the amount of the reduction in the tax rate yes.

Alderman Lopez stated I didn't want to leave the impression out there that if a house goes up \$40,000 and leave it like that. The most important thing is it is the budget of the City that drives the taxes. It is over \$28 now so looking at...hopefully the assessed value is going to go up to \$9 or \$10 billion.

Mr. Hamilton replied currently our assessments are approximately 57% of market value and we are going to be looking to move our values to market value. That would imply a very large increase in the value.

Alderman Lopez asked have you had any problems with the revaluation company.

Mr. Hamilton answered we have had some complaints, however, at this point they have inspected approximately 21,000 parcels in the City and we probably had about two dozen telephone calls that have been serious inquiries about the revaluation company and how they conducted themselves. I think that is a really good rate of complaint. We do get occasional calls just to verify that they are supposed to be out there doing this work for us but I think in terms of specific complaints they are doing a very professional and good job. The entry rate so far is about 39% or 40% on their first pass through each neighborhood. So just by going and knocking on the door they have gone in approximately 40% of the properties, which is pretty good for a revaluation, especially given the nature of most families now with two people working and they are generally making these inspections during working hours. There is a process by which they will be notifying people whose houses they haven't been in in order to get an appointment to do an inspection a little bit further down the line.

Mr. Nichols stated I got a few calls today saying the letters have been mailed.

On motion of Alderman Osborne, duly seconded by Alderman Guinta it was voted to accept the Board of Assessor reports.

TABLED ITEM

On motion of Alderman Osborne, duly seconded by Alderman Thibault it was voted to remove Item 7 from the table.

Communication from Sharon Wickens, Financial Analyst II, relative to a request from Easter Seals for the City's consideration in reducing the amount currently owed for false alarm charges to the Fire Department.

On motion of Alderman Osborne, duly seconded by Alderman Thibault it was voted to receive and file.

There being no further business, on motion of Alderman Guinta, duly seconded by Alderman Thibault it was voted to adjourn.

A True Record. Attest.

Clerk of Committee